

Message Text

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ORIGIN TRSE-00

INFO OCT-01 EA-11 ADP-00 IO-12 H-02 L-03 CIAE-00 DODE-00

INR-09 NSAE-00 PA-03 RSC-01 USIA-12 PRS-01 AID-20

EB-11 NSC-10 CIEP-02 SS-14 STR-08 OMB-01 CEA-02

COME-00 FRB-02 XMB-07 OPIC-12 LAB-06 SIL-01 NEA-10

EUR-25 /186 R

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TO AMEMBASSY MANILA

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E. O. 11652: N/ A

TAGS: EAID, EFIN

SUBJECT: ADB SPECIAL FUNDS DONORS' MEETING LONDON

MANILA FOR USADB

SUMMARY: SUBSTANTIAL SUPPORT FOR PROPOSED NEW ADB SPECIAL FUND (E. G. FROM UK, GERMANY, JAPAN, AUSTRALIA, SWITZERLAND) BUT FRANCE, AUSTRIA AND SWEDEN DO NOT PLAN PARTICIPATE. BROAD WILLINGNESS OTHER DELS AT LONDON MEETING TO STRUCTURE A TWO-STAGE PROPOSAL THAT WOULD PERMIT U. S. PARTICIPATE IN FIRST STAGE BY MAKING AVAILABLE TIED DOLS 100 MILLION ALREADY PENDING IN CONGRESS. U. S. AGREED TO STUDY THIS APPROACH, BUT EMPHASIZED COULD NOT CONVERT VOLUNTARY DOLS 100 MILLION INTO A NEW COMMITMENT WITHOUT CONGRESSIONAL GO- AHEAD. GENERAL WILLINGNESS LIMITED OFFICIAL USE

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WORK OUT PROCEDURE FOR DROPPING MAINTENANCE OF VALUE ON NEW CONTRIBUTIONS. NEXT STEP IS ADB DIRECTORS REFINE AND PRESENT

TO GOVERNORS RESOLUTION AUTHORIZING SPECIAL FUND, BUT NOT SPECIFYING COUNTRY CONTRIBUTION LEVELS. NEXT SPECIAL FUNDS MEETING APRIL 28 IN MAINLA. END SUMMARY.

1. FIRST DAY OF MEETING (MARCH 15) REVEALED BROAD SUPPORT FOR PRINCIPLES EXPRESSED IN LATES MANAGEMENT PROPOSAL ON SPECIAL FUNDS (ADB SF-2 AND 3). ONLY 4 COUNTRIES (JAPAN, AUSTRALIA, SWITZERLAND AND UK) WERE PREPARED TO ACCEPT IN FULL THE PROPOSAL, THE DRAFT RESOLUTIONS, AND THEIR PROPOSED SHARES, AND AUSTRALIA AND THE UK INDICATED THAT THEIR ACCEPTANCE WAS CONTINGENT ON FULL U. S. PARTICIPATION. AUSTRALIA SPECIFICALLY PROPOSED THAT U. S. CONTRIBUTION BE REQUIRED FOR EFFECTIVENESS OF FUND.

2. SEVERAL DELEGATIONS SAID THAT THEIR SHARES APPEARED TOO HIGH, AND IT WAS MADE CLEAR THAT AUSTRIA, SWEDEN AND FRANCE DID NOT INTEND TO PARTICIPATE AT PRESENT. GERMANY INDICATED LIKELIHOOD CABINET WOULD SUPPORT ADB PROPOSAL, BUT EXPRESSED CONCERN OVER PAYMENTS SCHEDULE, WHICH GERMAN BUDGETARY PROCEDURES MIGHT MAKE IT IMPOSSIBLE TO MEET. CANADIAN DEL SAID THAT U. S. FAILURE TO CONTRIBUTE TO OLD SPECIAL FUNDS CAUSED MAJOR PROBLEMS FOR CANADIAN ACCEPTANCE OF PROPOSAL FOR NEW FUND.

3. US STATEMENT EXPRESSED SUPPORT IN PRINCIPLE FOR PROPOSAL, BUT EMPHASIZED THAT THERE HAD BEEN NO BASIC CHANGE IN SITUATION SINCE SEPTEMBER MEETING. REQUEST FOR DOLS 100 MILLION FOR SPECIAL FUNDS WAS BEFORE THE CONGRESS AND HAD STRONG ADMINISTRATION SUPPORT , AS DID THE REQUEST FOR THE FUNDS NEEDED TO SUBSCRIBE TO THE OC REPLENISHMENT. THE PROPOSED SPECIAL FUNDS CONTRIBUTION, HOWEVER, WOULD HAVE TO REMAIN TIED BECAUSE OF ITS LEGISLATIVE HISTORY. IT MUST ALSO REMAIN A " VOLUNTARY" CONTRIBUTION; WE COULD NOT COMMIT OURSELVES TO PARTICIPATION IN A STRUCTURED FUND WHICH COUNTED ON OUR DOLS 100 MILLION. US DEL DID NOT SEE ANY POSSIBILITY OF GOING BEYOND THESE TWO REQUESTS IN THE NEAR TERM; MOREOVER, THE CONGRESS COULD APPROPRIATE LESS THAN THE REQUESTED DOLS 100 MILLION FOR THE SPECIAL FUNDS.

4. AFTERNOON SESSION BEGAIN WITH A BRIEF DISCUSSION OF LIMITED OFFICIAL USE

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NORDIC PROPOSAL TO INCLUDE REFERENCE TO SOCIALLY ORIENTED PROJECTS IN FUND' S STATEMENT OF PURPOSES. THE UK AND AUSTRALIAN DELS ALSO EXPRESSED RESERVATIONS ABOUT PROPOSAL THAT GRANT TECHNICAL ASSISTANCE BE FUNDED OUT OF A PORTION OF NEW SPECIAL FUND.

5. A LONG DEBATE ENSUED ON MAINTENANCE OF VALUE - GERMANY, SWITZERLAND, AND NORWAY SEEMED TO FEEL THAT SOME

FORM OF MOV SHOULD BE INCLUDED, AT LEAST TO THE EXTENT OF AUTHORIZING PAYMENT IN ANY CONVERTIBLE CURRENCY AND NOT JUST IN CURRENCY OF MEMBER. BANK STAFF (REA) EXPLAINED THAT BANK PROPOSAL HAD DELIBERATELY STIPULATED PAYMENT IN CURRENCY OF MEMBER SO AS TO LESSEN THE EXCHANGE RISK FOR THE BANK BY PROVIDING IT WITH A RANGE OF CURRENCIES, WITHOUT THE ARBITRARY AND DIFFICULT FEATURES OF GOLD- RELATED MOV. EXCHANGE RATES TO DETERMINE AMOUNT OF LOCAL CURRENCY PAYABLE WOULD BE FIXED AS OF DATE OF EFFECTIVENESS OF FUND. BANK PROPOSAL STRONGLY SUPPORTED BY CANADA, UK; ALSO SUPPORTED BY JAPAN. NO GENERAL CONSENSUS WAS REACHED EXCEPT THAT SUBJECT NEEDED FURTHER STUDY.

6. MAJOR FEATUR OF AFTERNOON SESSION WAS GERMAN PROPOSAL THAT, IN VIEW OF U. S. DIFFICULTIES, NEW FUND BE SE UP IN TWO INSTALLMENTS. FIRST INSTALLMENT, COVERING FIRST TWO YEARS, WOULD TOTAL DOLS 350 MILLION, OR TWO- THIRDS OF BANK PROPOSED TOTAL. IT WOULD INCLUDE DOLS 100 MILLION U. S. CONTRIBUTION; UNYTING WOULD BE " RECOMMENDED"; IT WOULD COME INTO EFFECT NOT LATER THAN 30 JUNE 1974. THE SECOND INSTALLMENT WOULD COME INTO EFFECT A YEAR LATER, AND WOULD INCLUDE THE REMAINING DOLS 175 MILLION, WITH UNTYING MANDATORY AND A PROPOSED US SHARE OF DOLS 50 MILLION.

7. JAPAN, AUSTRALIA, NETHERLANDS, AND BELGIUM EXPRESSED QUALIFIED SUPPORT ON PERSONAL BASIS FOR GERMAN PROPOSAL, INDICATING THAT IT SEEMED A REASONABLE STOPGAP MEASURE. UK AND CANADA EXPRESSED RSRVATIONS; IN THE CASE OF CANADA, THE PRIMARY REASON GIVEN WAS THAT CANADA REGARDED THE PROPOSED DOLS 100 MILLION US CONTRIBUTION, NOT AS A SUITABLE CONTRIBUTION TO THE FIRST INSTALLMENT OF THE NEW FUND, BUT AS A BELATED AND INADEQUATE CONTRIBUTION TO THE OLD FUND.

8. MORNING OF MARCH 16 TH, BANK PRESENTED THREE NEW LIMITED OFFICIAL USE

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DRAFT RESOLUTIONS CORRESPONDING TO GERMAN PROPOSAL. NEW DRAFT RES 1 GENERALLY CORRESPONDS TO DRAFT RES GIVEN IN ANNEX A OF ADB SF:3, EXCEPT FOR THE DELETION OF LAST 3 PARAGRAPHS AND THE INCLUSIONOF A PARAGRAPH MENTIONING DOLS 525 MILLION TOTAL. NEW DRAFT RESES 2 AND 3 CORRESPOND ROUGHLY TO OLD DRAFT RES 2, EXCEPT THAT THEY PROVIDED FOR NEW FUND TO BE SET UP IN TWO CONSECUTIVE PARTS, AND UNTYING REQUIREMENT FOR FIRST PART COULD BE WAIVED BY DIRECTORS.

9. AFTER CONSIDERABLE DEBATE, CONSENSUS ARRIVED AT THAT NEW DRAFT RES 1 SHOULD BE PRESENTED ASAP TO DIRECTORS, WITH A VIEW TOWARD ITS POSSIBLE ADOPTION BY THE GOVERNORS AT THE ANNUAL MEETING. AMENDMENTS ACCEPTED IN PRINCIPLE TO

NEW DRAFT RES 1 INCLUDED DELETION OF PROPOSED TOTAL AMOUNT FOR FUND (PROPOSED BY US), AND MORE DETAILED REFERENCE TO ECONOMIC AND SOCIAL DEVELOPMENT OBJECTIVES OF BORROWING COUNTRIES. NEW DRAFT RESES 2 AND 3 WOULD ALSO BE LAID BEFORE DIRECTORS BUT WITH EXPECTATION THAT ACTION ON THEM WOULD REQUIRE AT LEAST ONE MORE DONOR COUNTRIES' MEETING.

10. US STATEMENT ON NEW PROPOSAL RECOGNIZED THAT PROPOSAL WAS AN EFFORT TO BUILD AROUND THE POSSIBILITY OF A US VOLUNTARY CONTRIBUTION WHICH WE COULD NOT GUARANTEE, ALTHOUGH THE ADMINISTRATION WAS DOING ITS BEST FOR DOLS 100 MILLION. US INDICATED THAT DELETION OF DOLS 525 MILLION TOTAL FROM NEW DRAFT RES 1 WAS CRUCIAL TO PO

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